Report of the Manager of the Federal Crop Insurance Corporation, 1949

UNITED STATES DEPARTMENT OF AGRICULTURE

INTRODUCTION

The need for crop insurance protection is as old as farming itself. Wherever men endeavor through the investment of their labor, money, and ingenuity to produce a harvest, there exists an element of risk that there may be no harvest. The uncertainty of the factors of weather, insect pests, and plant diseases has ever been present and too often has exacted a large share of the expected return from the farmers' efforts.

The interest in crop insurance as a means of eliminating the risk of financial loss in farming and softening the shock of the inevitable crop failures dates back several decades. However, at present all-risk crop insurance is available to farmers only through the Federal Crop Insurance Corporation. Under this venture farmers are working together to develop and perfect their own system of crop insurance protection through the use of the machinery provided by the Federal Government. As borne out in this report, the very essence of successful operation of a crop insurance program is a high degree of local interest in efficient and businesslike handling of all phases of the program.

Started in 1939 with insurance offered on wheat over the entire Nation, the first venture of the United States Government into the field of all-risk crop insurance grew out of a keen recognition of the vital need for this kind of program in a sound system of agriculture. There was a frank realization of the enormity of the task ahead and at the same time a stubborn determination to work out a solution to the instability of farm economy due to crop losses. The experience during those first years was costly. Indemnities paid out were high, but experience gained became the foundation upon which to build the sounder and more conservative crop insurance program now in operation.

This report covers the second consecutive year of crop insurance operations, which shows the proper correlation between the kind of crop produced and the amount of losses paid. Losses should be lighter when crops are good; heavier when crops are poor. A careful review of this relationship in the insurance operations for the past several years gives reason for optimism and further strengthens the existing confidence in the workability of all-risk crop insurance protection. Indeed, the over-all experience of recent years indicates that the much-needed goal of a sound system of crop insurance protection for all farmers throughout the Nation may be within sight.

Report of the Manager of the Federal Crop Insurance Corporation, 1949

UNITED STATES DEPARTMENT OF AGRICULTURE,
Washington, D. C., October 14, 1949.

Hon. CHARLES F. BRANNAN,
Secretary of Agriculture.

DEAR MR. SECRETARY: I present herewith the annual report of the Federal Crop Insurance Corporation for the fiscal year 1949. This report summarizes the Corporation's activities for the crop year 1948 and the early-season activities for the crop year 1949.

Sincerely yours,

G. F. GEISSLER,
Manager.

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CROP INSURANCE AND ITS OPERATION

The 1949 fiscal year was the second year of operation of the Federal Crop Insurance Corporation under the amendatory legislation of August 1, 1947. Under this legislation, which reduced the crop insurance program to an experimental basis, the number of counties in which crop insurance could be offered in 1948 and 1949 was limited to 200 for wheat, 56 for cotton, 50 for flax, 50 for corn, 35 for tobacco, and 20 each for trial programs on other commodities.

Objectively, this reduction of the program from one in which wheat, cotton, and flax were insured on a national basis in approximately 2,400 counties might have seemed somewhat drastic. However, after 2 years of operating on a scale reduced in number of counties but broadened in purpose and goal, the foresight and soundness of this new approach to the development of a crop insurance program are proved. During these years the Corporation has been in a position to concentrate on certain phases of program operation, such as sales activities, administration of the program at the producer level, estab-

lishing a sound actuarial basis for insurance, and loss adjustment, the results of which are reflected in the over-all operations and point the way to still further improvements in this direction. Likewise, the experience gained on this more conservative basis makes possible the gradual expansion of crop insurance protection to additional counties and on other commodities, with a clearer understanding of the problems involved and with less risk of financial loss from such expanded operations. The location of the 394 counties in which the crop-insurance program operated in 1949 is shown in figure 1.

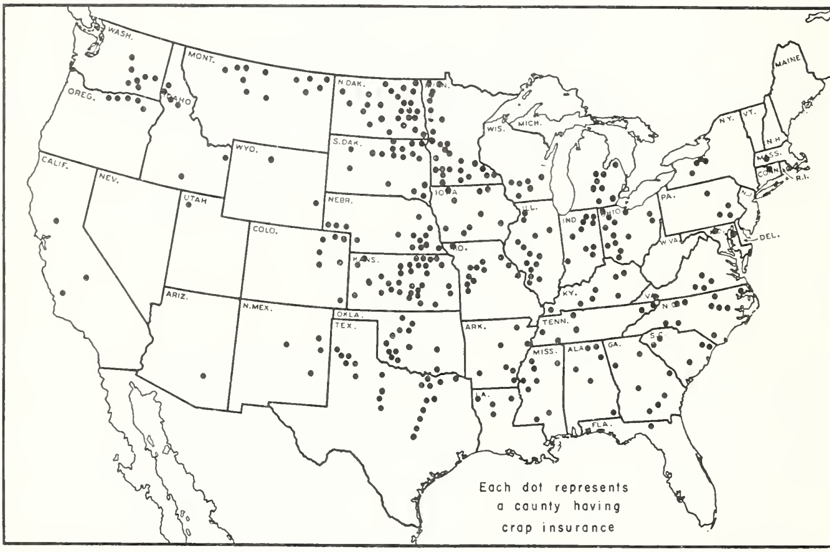

FIGURE 1.—Location of counties in which 1949 crop-insurance programs are operating.

How Crop Insurance Works

The crop insurance contract provides producers with protection on growing crops against unavoidable causes of loss, such as weather, insects, and plant diseases. A producer is guaranteed a specified return, or coverage, per acre, and is indemnified if insurable causes of loss reduce his production below the guaranteed amount. For this protection producers pay a premium which reflects the risk of producing the crop in the area. For any county the objective of the Corporation is to establish a level of premium cost to producers such that over a representative period of years premiums collected will be adequate to cover losses paid. The very need for crop insurance protection suggests that premiums and indemnities will not balance every year, but that in years of good crops premium reserves will accumulate and that in the inevitable years of crop failure indemnities will exceed the premiums. This principle is fundamental in crop insurance because of the wide variations in yields from year to year.

In establishing coverages in a county, all land of about the same general productivity carries the same amount of coverage per acre, which

is limited by legislation to not more than the average investment per acre in the production of the insured crop in the area. No attempt is made, as it was in earlier years, to insure any part of the profit which farmers expect from the crop. This represents a change from past programs under which the insured coverage for many farmers afforded protection of some profit as well as the production costs. Early experience taught that offering protection in excess of production costs would, because of the greater probability of a loss, require a prohibitive premium rate if offered on a sound, business basis. This change, adopted in 1948, not only resulted in lower coverage but because of the lower coverage the cost of insurance to the farmer was less. Insuring the cost of producing the crop represents the most desirable type of insurance on growing crops, as the loss of a small part or even all of his profit is never as disastrous to a farmer as the loss of the money and labor invested in producing the crop.

Coverage under the contract in 1949 was of two general types—commodity and monetary. The difference in the two types is essentially the time of converting commodity units to dollars. Under both types, coverages and premium rates were first established in terms of bushels or pounds. For commodity insurance the coverage and premium rates remain in bushel or pound units at the time the insurance is offered to the farmer, although the total premium under an insured's contract is later converted to a dollar amount. If a loss occurs, the indemnity is first determined in bushels or pounds and then converted to dollars on the same price basis as the premium.

For monetary insurance both the coverage and the premium rate are converted to dollar amounts before the insurance is offered to the farmer. The price used in converting the coverage and premium into dollar amounts is later used to value any production of the insured crop in determining the amount of loss, if any.

Crop insurance is obtained by a producer submitting a written application for insurance, followed by the acceptance of such application by the Corporation. Generally the protection covers the crop from the time it is planted until it is harvested. The insured is required to plant and care for the insured crop in accordance with good farming practices. The contract specifically excludes protection against losses due to failure to care for the crop, shortage of labor or fertilizer, breakdown of machinery, and other causes over which the insured may exercise some control. The contract also imposes on the insured certain other obligations, such as the filing of a report showing his planted acreage of the insured crop and his interest in the crop, and the reporting of damage to or loss of the crop.

Multiple-Crop Insurance

In many areas of the Nation the agricultural pattern is such that one commodity predominates as a source of farm income; in others two or more crops contribute substantially to the farm income. In the latter areas insurance on a single commodity only partly fills the crop insurance needs of farmers. With a view to meeting the insurance needs in such areas, the Corporation continued in 1949 to test in seven counties the broader plan of insurance covering several crops under one policy. This "multiple crop insurance" plan was

initiated in two counties in 1948. The coverage, stated in dollars, for the farm is the total of the established coverage for all the insured commodities, and a loss is paid only when the value of the production on all the insured commodities combined is less than the total coverage.

The very nature of multiple-crop insurance has a healthy significance. Generally, it is agreed that the most desirable system of agriculture is one in which the economy is not dependent on an individual commodity but on a proper balance between a number of crops. This type of insurance recognizes such diversification, and because of the fact that a loss on one or even two crops may be offset by production from the other insured commodities, the cost of the protection to farmers is less than it would be under single-crop contracts. Reception of multiple-crop insurance by farmers has been good and with a growing interest in this type of program among agricultural leaders, as well as producers, there is reason for optimism for its possibilities.

Although thus far the experience with multiple-crop insurance has been restricted to counties where agriculture is diversified, there is also the possibility that further experience will prove that such a policy can be made to operate with equal success where one crop is predominant with only a small measure of diversification. Out of the experience with single-commodity policies and multiple-crop policies may evolve one policy embodying the general features of the multiple-crop policy but suitable for either a one-crop system of agriculture or one where a high degree of diversification exists.

The Policy

In 1949 the Corporation issued to each insured producer a crop insurance policy which, with the insured's copy of the application for insurance, constitutes the contract between the producer and the Corporation. The policy, which resembles other insurance policies in general appearance, is brief as compared to the regulations that comprised part of previous insurance contracts and is written in simpler language. The use of a policy has encouraged farmers to read the terms and conditions under which their crops are insured and should therefore contribute much toward a clearer and more general understanding of the purpose and plan of crop insurance protection.

In 1949 all insurance was written on the basis of a continuous contract, with the exception of the trial insurance programs on dry edible beans and multiple-crop insurance. The continuous contract remains in force from year to year until canceled by either the insured or the Corporation. It contains a provision whereby necessary changes in the program can be made for future years. Any changes are incorporated in a rider to the policy, which is mailed to the farmer, who may cancel his contract by a specified date prior to the beginning of the next crop year if he does not want to accept the changes. The principal advantage of this type of contract over an annual contract is the resulting continuity of participation without the necessity and cost of annual sales contacts with the farmer, and the fact that it lends itself to the desirable goal of farmer interest in protecting the crop investment every year rather than on a year-to-year basis.

Seventy percent of the 1948 continuous contracts continued in force for the 1949 crop year.

Operating Set-up

Administration of crop insurance at all levels from the initial planning of the program to the issuance of a check in payment of an indemnity plays an important part in determining the success of the program. In recognition of this fact the Corporation constantly observes all phases of its operations with the view of maintaining a high degree of efficiency without minimizing the importance of economy of operation.

The over-all program and administrative policies are determined by the board of directors composed of Albert J. Loveland, Under Secretary of Agriculture, Ralph S. Trigg, Administrator of the Production and Marketing Administration, two members from the private insurance field not otherwise employed by the Government—James B. Cullison, Jr., of Chicago, Ill., and Clarence W. Swanebeck of Fenton, Mich.—and the manager of the Corporation. Mr. Swanebeck has had wide experience in insurance and is at present secretary-treasurer and manager of the Pioneer Mutual Fire Insurance Co. of Lansing, Mich. Mr. Cullison has had over 30 years' insurance experience and is manager of the rain and hail departments of several large insurance companies. Both also have had long experience in the field of agriculture.

Program development and the general executive direction of the insurance operations are handled primarily in the Washington office, consisting of the office of the manager and the divisions for program development, underwriting, sales, claims, finance, and administration. In the manager's office, three area directors serve in an advisory capacity to the manager and are directly responsible for coordinating and directing field activities in their areas. The Corporation has one branch office in Chicago which maintains program accounting records for each insured, computes premiums, bills insureds and receives payment of premiums, approves and pays loss claims, and summarizes statistical data required by the Washington office.

The Production and Marketing Administration plays an important part in the operation of the crop insurance program at the Washington, State, and county levels. The headquarters office cooperates with the manager's office in formulating policies and plans for crop insurance work to be performed by the State and county organizations.

In the interest of economy of operation and to avoid duplication of existing county agricultural organizations, a major part of crop insurance activities at the county level are carried out through cooperative agreements with the Production and Marketing Administration. The Corporation issues the necessary instructions covering the various phases of program operations and reimburses P. M. A. for its performance on the basis of the previous agreement. The P. M. A. county committee performs a vital function in establishing coverages and premium rates for different areas in the county. It also is responsible for presenting the program to farmers, obtaining applications and acreage reports, collecting premiums and, for most of the servicing of the insurance contracts with the exception of loss adjustment.

Generally, the advantages of utilizing at the producer level the services of a committee of farmers are readily apparent and cannot be overemphasized.

In a relatively small number of counties where satisfactory arrangements could not be made for utilizing the services of the P. M. A. county committee the Corporation set up its own committee of farmers to administer the program. These committees, made up of carefully chosen individuals, are directly responsible to the Corporation and perform essentially the same functions as the P. M. A. county committees.

There are 29 State offices, each headed by a State crop insurance director who is primarily responsible for the operation of the State program. In connection with phases of the work handled by P. M. A., such as selling insurance, obtaining acreage reports, and collecting premiums, the State directors work with and assist the P. M. A. committees. A State office sometimes serves two or more States. The responsibility of the State director then includes program operations in the additional States.

FEATURES GIVEN EMPHASIS IN 1949

The 1949 fiscal year began July 1, 1948, which was only a few months after insurance on spring-planted crops for 1948 went into effect. The 1948 crop year was the first year under the reduced program. Although practically all the losses under the 1947 program, which operated on a Nation-wide basis, had then been settled, a great deal of work remained to be done in counties where the program was discontinued. There were about 2,100 of these counties, compared to the 375 counties where the program was in active operation for 1948. In these counties were delayed loss claims to be settled, premium debts to be collected, and other work in connection with the closing out of the program. Thus, for the 1949 fiscal year the work involved not only the actual carrying on of current insurance in 375 counties but also the completion of work in a much larger number of counties.

Following the reduction of the program by the Congress, intensive efforts have been made to improve the program along various lines. Although important changes were made in the general plan of insurance and in the insurance contract, this alone was not sufficient. The administration of the program locally, including selling of insurance, selection of risks, collection of premiums, adjustment of losses, and maintenance of records, is a highly important factor in the success of the insurance operations. It is impossible to administer a satisfactory crop insurance program from Washington, or even from a State office, without aggressive and dependable local administration. Local individuals know ordinary and extraordinary risks in their own communities from the standpoint of both the land and the producer. Thus, they alone are in a position to eliminate extraordinary risks which should not be insured. An alert and responsible local administration precludes the possibility of underwriting bad risks and paying unjustified loss claims.

Loss Experience Reflected in Premium Cost

To obtain local responsibility it is necessary to give insured producers a financial "stake" in their own operations. If they realize that good business methods save them money whereas poor business methods result in extra losses and therefore increase the cost of their insurance, they have the incentive for following sound business practices. To create this financial incentive for good local operations and to give the insureds in the county a financial "stake" in their own operations, several measures have been taken. First, the Corporation has emphasized its policy of incorporating the full loss experience of the county into the premium rates for the county. This means that farmers in counties with high losses pay more in future years for insurance. If a county has small losses, insurance in future years is cheaper.

Cheaper insurance is also effected through a premium-discount plan which was first put in effect for 1949. Under this plan the Corporation determines the proper premium reserve for a county, and when the actual reserve exceeds this amount, the insured farmers receive a premium discount. This discount may be as much as 30 percent for farmers in counties where the reserve is substantially in excess of a reasonably adequate figure. A farmer who has not been in the program is ineligible for the discount the first year he is insured because he has not contributed to the building of a premium reserve. It is basically sound to build up reserves against the probability of severe losses in future years so that such losses may be absorbed by the reserve instead of resulting in higher premium rates.

The foregoing is based on the collective experience of all the insured farmers in a given county and does not recognize the good experience of an individual farmer. With the view to recognizing this experience, a further premium reduction plan has been tried on wheat and is being adopted on other commodities. Generally, it provides that a farmer's premium may be reduced 25 percent if he has been insured 7 consecutive years and has had no loss, or if his premium balance for consecutive years of insurance exceeds his guaranteed coverage under the contract.

These measures reflect the mutual aspects of the operation of the program at the county level. They provide the means of impressing on each participant in the program the need for sound and businesslike operations as the cost of insurance to the farmer is directly affected by the efficiency of operations.

Refinement of Coverages and Rates

In line with the idea of intensive operations which characterized the reduced program beginning with the crop year 1948, emphasis was placed in 1949 on the further refinement of coverages and rates for individual farms. The actual loss experience built up under previous programs was plotted on a map of the county and became the major criteria for determining whether or not losses had been excessive for any tract of land. Coverages and rates established for the previous year were reviewed by local committeemen who

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are familiar with the productivity of the land, as well as the risk of loss. Revisions were made where necessary. Every effort was made to set up a basis for insurance which reflects accurately the productivity and risk of loss on the land. Insurance was refused on any land on which the risk of loss made it an unsound insurance risk. In 1949 there was an average of about 3 percent of the cropland in all programs which was classified uninsurable because of the high risk of loss.

Coverages and rates established for land cannot reflect the risk of some individuals who may work the land. Consequently, in 1949 insurance was refused to about 7,000 farmers who constituted an unduly high risk of loss. The elimination of high-risk farmers and land is in accordance with an expressed provision of the Crop Insurance Act and with sound administrative policies. Local people responsible for administration at the county level must, of course, do this work, but the underwriting division of the Corporation assists with and supervises it, and also determines the over-all coverages and rates for the county.

Collecting Premiums

In signing an application for insurance, the producer also signs a note for the amount of the premium which will be due on his planted acreage. These notes mature about harvest time, and the insured is billed for the amount of the premium earned. Naturally, a great deal of work is involved in the collection of these premiums after the crop is grown and the risks are past and in addition, there is usually some residue of premiums that is difficult to collect. During the past year the Corporation has experimented with a plan of granting a 5-percent discount for payment of the premium by a designated date after the acreage reports are submitted. This plan has resulted in the payment of a substantial part of the premiums by the discount date, the percentage collected varying with the different commodities and areas. Early payment of these premiums saves substantial work and expense. Because of the marked success of the experiment, the plan is being expanded to all programs.

Although it might appear desirable to follow the practice of collecting premiums before insurance attaches, as in most private insurance, certain problems peculiar to crop insurance make such a plan impractical. The amount of the premium cannot be determined until after the crop is planted and an acreage report obtained from the insured, which is usually long after the insurance is written. The computation of premiums on the basis of the insured's intended acreage of the crop offers no solution, as farmers' plans change from day to day. Another problem is the fact that many farmers depend on the income from the crop to pay the costs of producing the crop, including the cost of insurance. Although there is no easy solution to these problems, the Corporation is fully aware of the importance of this phase of its operations and future plans include the placing of still greater emphasis on the collection of premiums.

During the 1949 fiscal year intensive efforts were made to clean up the residue of outstanding debts. Many such cases involved controversial matters which had to be settled. The Corporation has been forced to bring suit in the courts in order to collect some of the premiums.

Loss Adjustment

The fiscal year 1949 brought further improvements in the work of adjusting losses. The staff of loss adjusters directly responsible to the Corporation, originally started in 1945 in line with the intent of the Congress, has been steadily gaining proficiency. There has been some tendency to reduce the number of adjusters, keeping the better ones and giving them larger territory and more regular work.

During the past year an intensive educational program for adjusters was carried out. Efforts were devoted not only to the various steps of adjusting claims but in addition, loss adjusters were given a broader understanding of the basic problems and policies on which the crop insurance program was built. This broader scope of the training for adjusters is justified by the fact that dissatisfaction with loss settlements on the part of the insured frequently results in dissatisfaction with the entire program and a clear explanation by the adjuster of any feature of loss adjustment not fully understood by the insured can often bring about a better understanding and more satisfaction with the insurance protection. Loss adjusters are key people in any insurance program. Every effort is being made toward a constant improvement in the quality of their work.

NEW LEGISLATION

During the spring and summer of 1949 the Congress reviewed the recent operations of the Corporation and enacted legislation which provides for an orderly expansion of insurance operations and makes other important changes. In accordance with legislation of August 1, 1947, the Corporation operated for the past 2 years in about 375 counties. The Report of the House Committee on Agriculture which accompanied the amendment of 2 years ago stated in part:

> The best interests of farmers themselves would be most truly served by curtailment of the insurance program during its development period to the smallest scale consistent with effective experimentation, and expanding it later only when experience has indicated that a sound insurance plan has been worked out.

As pointed out earlier in this report real progress has been made in improving the soundness of crop insurance and this improvement is reflected in the past 2 years' experience

Based on this progress, the Congress concluded that limited expansion should be made in the program during the next 4 years and enacted Public Law 268, approved August 25, 1949. This amendment authorizes an increase each year through 1953 of not to exceed 100 wheat counties, 28 cotton, 25 flax, 25 corn, and 17 tobacco. Within this limitation, expansion will be only as rapid as the experience of the Corporation and the demand for insurance justifies. Although this expanded scope of operation does not represent the ultimate goal, it does set up a milepost along the way of orderly growth and expansion of the crop insurance program toward its final objective of protection for all farmers. Before the end of this period the Congress will probably want to review the progress made and plan for any further expansion that is justified.

This new amendment also recognizes multiple-crop insurance as a special type of insurance and authorizes this program in 50 counties, with the provision that as many as 25 additional counties may be added each year through 1953. Although in the beginning there was a limitation on the number of new crops which could be insured each year, this restriction is now removed and a multiple-crop policy in any county can include as many new commodities as the particular situation requires. These more liberal provisions for multiple-crop insurance reflect the feeling of the Congress that this type of insurance is highly desirable and may ultimately be in use over much of the country.

Previous legislation authorized trial insurance programs on other commodities in not to exceed 20 counties and for a period of 3 years on each commodity. The new amendment provides that after the 3-year period each new trial program may be expanded to as many as 10 additional counties in each year through 1953. As dry edible beans are the only commodity being insured under this trial provision, the bean program is the only one that will be affected by this provision.

A second important change in the new legislation is the elimination of the provision in the old law which required that, beginning with the 1950 crop year, if the premiums plus any reserves for any commodity are not adequate in any year to meet the losses on the commodity, the losses will be paid on a pro rata reduced basis. In connection with this change the Report of the House Committee, which accompanied the amendment, stated with regard to the old provision that,

> This provision would make it necessary to offer farmers insurance contracts without a face value. Farmers would have no guaranteed protection in years of widespread crop failure. In such years when many farmers would need indemnity for loss of their crop the amount of indemnity would be severely reduced by prorating. On the other hand, in years of fairly good crops those few farmers who suffered losses would be paid in full because the prorating would not apply that year. * * * The committee believes that this provision was put in the act as a last resort in the event that a sound program could not be developed and that it should now be removed.

A third important change is the elimination of the legislative restriction on the administrative expenses of the Corporation. Previous legislation limited the administrative expenses, beginning with the 1950 crop year, to not more than 25 percent of the premiums collected for the preceding year. This provision was incorporated in the law when the crop insurance program was operating on a Nation-wide basis and with a higher level of coverage and consequently a higher premium rate. Both of these factors resulted in a much higher premium income than under the limited experimental program. Also, under the experimental program administrative costs run proportionately higher than they will after the program has been developed and is operating on a large scale. Furthermore, under the expanding program permitted by the new amendment, operations each year will include more counties than in the preceding year which would be used as a base for determining administrative expenses.

An additional consideration is that one of the largest items of administrative expenses is loss adjustment, and in a year of poor crop conditions and heavy losses throughout the country an arbitrary limitation which would prevent employment of sufficient personnel to

carefully examine loss claims would not adequately protect the capital funds of the Corporation. Finally, since the Congress appropriates annually the funds for the administrative expenses of the Corporation, there are ample safeguards to assure that only an amount necessary to the sound administration of the program will be provided.

A fourth important change in the new legislation is the authority and direction for the Secretary of the Treasury to cancel receipts for capital stock to the extent of the deficit incurred on insurance operations prior to the 1948 crop year. In connection with this change the report of the House committee states:

From the start of the crop insurance program in 1939 through the year 1947 a deficit of approximately $73,000,000 was incurred in program operations. This

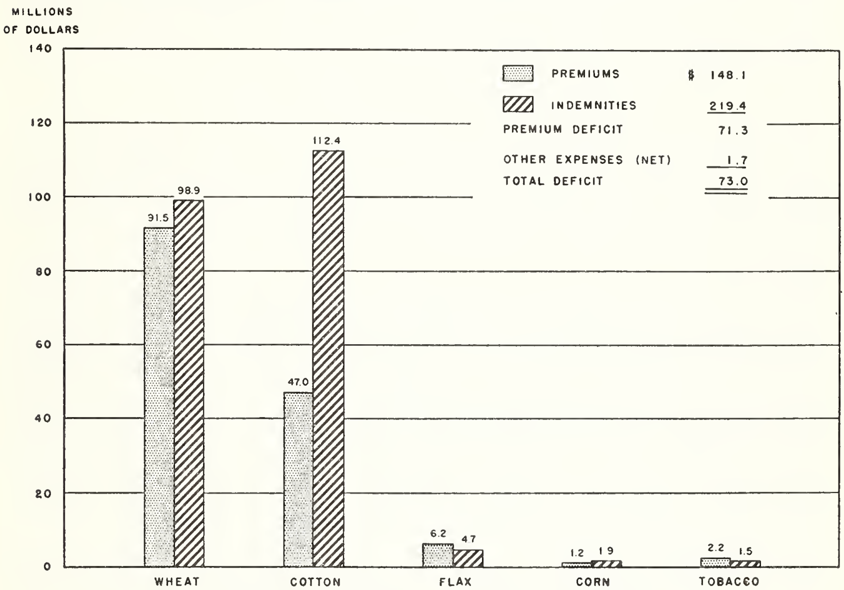

FIGURE 2.—Deficit by commodities, 1939–47.

loss was incurred while the program was on a Nation-wide scale and before the experimental program authorized in 1947 was instituted. It included 7 years of net losses to the Corporation and 1 year (1947) of net profit. The committee believes that this loss should be charged off as part of the cost of developing crop insurance on a trial-and-error basis and that the experimental program on which the Corporation is now engaged should not be burdened with the deficits of the earlier Nation-wide program.

A break-down of this deficit by commodities is shown in figure 2.

It is not practical to recoup the deficit incurred on Nation-wide high-coverage operations from the present restricted low-coverage operations. As pointed out earlier in this report, one of the important phases of the present crop insurance operations is the building up of premium reserves in each county where the program is operating. Requiring these counties to liquidate a heavy deficit before they can begin to accumulate reserves imposes a serious handicap on them.

The last important change is the extension of insurance coverage on tobacco to the period while it is being cured and prepared for market. This change places tobacco on a basis comparable with other commodities, in that the farmer is covered by insurance from the time the crop is planted until the production, and in some cases the value thereof, can be determined. It also protects the farmer against causes of loss, such as pole burn, over which he has no control during the curing process.

The results of the restricted program in operation in the 1948 and 1949 crop years reflect the improvements which have been made in the insurance program from year to year. The Corporation therefore feels that the legislative changes are justified and desirable and that the gradual expansion to additional counties is a positive step towards ultimately providing insurance to all farmers against loss of investment in their crops.

PARTICIPATION IN PROGRAMS

As the Federal Crop Insurance program provides protection for which the insured producer pays a premium, it follows that participation must be built more gradually than would be the case if the program's benefits did not require an annual cash outlay by the farmer.

Participation is being built in each county on a more businesslike basis than in the past. As pointed out earlier in this report, continuous contracts are being issued to insured producers in all programs as rapidly as practical. With this type of contract it is now possible to build county participation on a progressive basis by carrying into the next year, without new applications, the contracts of producers who recognize the value of protecting their crop investments each year. The building of each county's crop insurance participation in this way also makes it possible to build around producers who consider protection of their crop investments a sound business principle.

Continuous contracts were written on wheat, flax, corn, cotton, and tobacco crop insurance in 1949. With continuous contracts, it is expected that a steady increase in participation will be shown from year to year until a county obtains a high percentage of participation. At present there is a wide variation between counties in the percentage of eligible producers who are protecting their crop investments with Federal crop insurance. Several counties already have from 50 to 90 percent of their eligible producers participating. However, most counties range downward from this level to those with only a small percentage of producers who have made crop investment protection an established part of their farm plans. There are many reasons for this variation. They differ by counties, but the general explanation for variations between similar counties is the quality and amount of effort put forth locally to build participation.

Building up participation in county programs is slower than it might otherwise be because of the emphasis now placed on making sure that each policyholder understands clearly what his policy provides. This approach will pay dividends in the future by adding to the program those farmers who understand their protection and

how it operates. It will also reduce the number of farmers who become dissatisfied because of misunderstanding.

The 165,000 crop insurance policies in force in 1949 represent about the same amount of business as in 1948. There was a sharp drop in participation in the winter wheat program, which included 39 percent of the total crop insurance counties in 1949, but the increase in participation in the other commodity programs was sufficient to offset this decrease.

New business in 1949 accounted for 78 percent of the contracts in force, with only 22 percent representing old business carried over. This relatively small percentage of carry-over business may be explained by the fact that all the 1948 contracts under the corn, tobacco, dry bean, and multiple-crop programs, as well as all monetary coverage contracts under the wheat, cotton, and flax programs, were written on an annual basis. In addition, approximately 62,000 wheat contracts written on a 3-year-term basis prior to 1948 expired at the end of the 1948 crop year. Therefore, the 22 percent of the 1949 business which was carried over from 1948 actually represents nearly three-fourths of what was potential carry-over business. Most of the continuous contracts not carried over were canceled by the Corporation, not by the insured. Chief reasons for these cancelations were the screening out of unsound risks and the failure of the farmer to pay the past year's premium.

Of the winter wheat continuous policies in force in 1949, 90 percent have been continued by producers for the 1950 crop year. In crops like cotton and tobacco, it is to be expected that cancelations will run higher than in wheat because of the problems of obtaining a surety to guarantee the premiums in the case of sharecroppers and as a consequence of the Corporation's policy to cancel contracts for credit reasons and accept new applications when the individual's credit problem is resolved.

The following tabulation shows the number of counties in which an insurance program is operating in 1949, the number of contracts in force in these counties, and the percentage of eligible farmers insured for each program:

	Insurance data		
Program:	*Counties with insurance program (Number)*	*Contracts in force (Number)*	*Eligible farmers insured (Percent)*
Wheat	199	58, 881	21
Tobacco	35	35, 023	29
Cotton	52	26, 667	16
Flax	48	19, 267	40
Corn	44	19, 607	19
Bean	9	2, 909	29
Multiple crop	7	2, 722	19
Total	394	165, 076	22

Past experience in sales effort points to the following problems which must be overcome to obtain the desired degree of participation: (1) Tendency of farmers to want more coverage than can be provided and to feel that the rate should be less than sound operations will permit; (2) getting farmers to understand what the program

offers and the sound protection that it provides; (3) overcoming unwarranted optimism on loss risks developed as a result of a period of good crop years; (4) the fact that farmers, as a whole, have gambled against weather, insects, plant diseases, etc., for so long that they are less insurance-minded than other businessmen; and (5) the "collection" psychology developed under earlier programs which insured both investment and a profit for many farmers.

In general, these problems can be solved only by a comprehensive and effective educational program resulting in an understanding by farmers of the purpose of crop insurance. It will involve the realinement of farmers' thinking as to the risk of loss that exists in farming and the security that can be obtained through protecting their investments by crop insurance. At best this will be a gradual process because of the relative newness of crop insurance. In other well-established lines of insurance, recognition of the need for protection and the present degree of participation were not apparent in the beginning, but have been achieved gradually through sustained efforts over a long period.

UNDERWRITING EXPERIENCE FOR THE 1948 CROP YEAR

The crop year 1948 is the last one for which experience can be given. It was the second consecutive year in which a premium balance was shown on the combined insurance operations for all commodities and the first year that each commodity program showed a reserve of premiums over indemnities. In some previous years one or more commodities operated with a premium balance, but each year one or more other commodities operated at a deficit.

For 1948 there was a 5.8 million dollar premium reserve after nearly 7 million dollars were paid to insured farmers for crop losses. On wheat the losses amounted to 59 percent of the premiums, with 43 percent on cotton, 51 percent on flax, 17 percent on corn, 48 percent on tobacco, 29 percent on dry edible beans, and 5 percent on the multiple-crop program. This good experience is what should be expected from a sounder program and the generally favorable weather and crop conditions which prevailed in 1948.

Loss experience in future years should continue to reflect the program improvements and better administration. However, it is not to be expected that a profit will be realized from the operations each year. Bad weather or other hazards are inevitable in some future year and heavy losses will follow. In other words, under sound crop insurance operations it is expected that premium reserves will be accumulated in good years, such as 1948, to cover losses in years when conditions are unfavorable and crop yields are below normal.

The 1948 underwriting experience for all programs is summarized in table 1 and is given in detail for the several commodities in the next seven sections of this report. This experience for 1945 through 1947 was summarized in the 1948 Annual Report, which covered the last year's operations on a national basis.

TABLE 1.—*Federal crop insurance experience, summary of all programs, 1948*

[As of June 30, 1949]

Program	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [3]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Wheat	200	84, 990	64, 701	96, 178	10, 030	6, 514, 839	84, 555, 300	8, 591, 057	[4] 5, 045, 937	3, 545, 120	0. 59
Flax	48	16, 782	13, 976	17, 253	1, 925	753, 650	13, 571, 842	1, 547, 217	794, 999	752, 218	. 51
Cotton	53	19, 479	18, 040	22, 038	2, 593	681, 742	22, 119, 049	1, 411, 607	610, 000	801, 607	. 43
Tobacco	32	31, 605	30, 795	39, 803	1, 861	[2] 143, 700	21, 110, 600	656, 693	313, 600	343, 093	. 48
Corn	36	14, 115	14, 090	16, 518	307	752, 478	11, 166, 114	435, 478	76, 000	359, 478	. 17
Dry edible bean	4	1, 444	1, 425	1, 581	76	37, 505	754, 065	32, 448	9, 339	23, 109	. 29
Multiple crop	2	714	699	824	10	45, 616	586, 979	23, 771	1, 185	22, 586	. 05
Provision for uncollectible accounts										−63, 500	
Total operating results	375	169, 129	143, 726	194, 195	16, 802	8, 929, 530	153,863,949	12, 698, 271	6, 851, 060	5, 783, 711	. 54

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of the insurable commodity. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Estimated.

[3] Based on the coverage for harvested acreage. Estimated for tobacco and partially estimated for wheat.

[4] Includes a loss from hedging operations amounting to $25,937.

Wheat Insurance

Beginning with the 1948 crop year the wheat crop insurance program was reduced from the Nation-wide scale to 200 counties, in accordance with the legislation enacted in 1947. About 40 of these counties were in the spring wheat area; the other 160 in the winter wheat area.

In the 200 counties 84,990 contracts were in force for 1948. Approximately 6 out of 7 of these were 3-year-term contracts carried over from the previous year. The remaining 1 out of 7 represented new business obtained principally in the spring of 1948 in the spring wheat area. Except in 3 counties, where the new monetary coverage plan

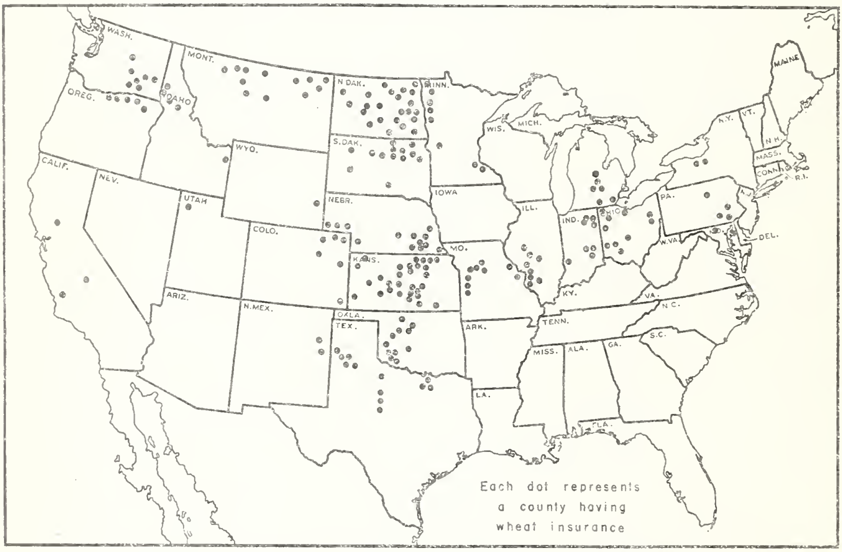

FIGURE 3.—Location of 1949 wheat insurance counties.

of insurance was initiated, the Corporation was unable to offer new 1948 insurance to producers of winter wheat, as this crop was seeded too soon after the legislative amendment of August 1, 1947, to permit the development and offering of insurance on it.

The premiums on 1948 wheat insurance amounted to about 8.6 million dollars, and indemnities of approximately 5 million dollars were paid to farmers for crop losses, leaving a surplus of approximately 3.5 million dollars. This was the fourth consecutive year of relatively good wheat crops and also the fourth year in which a surplus of premiums over indemnities resulted from the wheat insurance operations. Although early season prospects for a 1948 wheat crop were poor in most of the Southern Plains area because of drought, crop conditions later improved to the extent that losses were not widespread. Details of the 1948 insurance experience for the 200 counties are shown in table 2, by States.

The 1949 wheat program is essentially a continuation of the 1948 program in the 200 counties. The location and distribution of these counties are shown in figure 3. Premiums will amount to approximately 7.5 million dollars. A substantial part of the 1949 wheat losses are yet to be paid, but it is evident that the total losses paid will be higher than in 1948. These higher losses are attributable to the poorer wheat crop this year with the indicated per acre yield being the lowest in the last decade.

Plans were made in the fiscal year 1949 for writing 1950 insurance on wheat. As in 1949, these plans are essentially a continuation of the previous years' program in 200 counties and an expansion to include approximately 100 additional counties in accordance with the new legislation. Although new insurance will be written in all of these counties, most of the insurance in the 200 counties will be carried over from 1949.

TABLE 2.—*Wheat crop insurance experience, by States, 1948*

[As of June 30, 1949]

State	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
California	3	306	196	460	309	107, 258	2, 050, 700	238, 266	1, 123, 132	−884, 866	4. 71
Colorado	6	589	468	936	197	122, 338	1, 080, 600	171, 988	104, 137	67, 851	. 61
Idaho	6	765	600	970	145	73, 083	1, 462, 600	89, 174	85, 482	3, 692	. 96
Illinois	8	7, 406	5, 121	7, 079	139	211, 965	3, 213, 100	315, 836	30, 459	285, 377	. 10
Indiana	9	7, 968	5, 846	7, 255	447	151, 505	2, 600, 800	200, 688	46, 049	154, 639	. 23
Kansas	30	7, 392	6, 084	10, 292	1, 075	793, 973	8, 541, 400	1, 008, 464	407, 495	600, 969	. 40
Maryland	2	1, 154	896	1, 078	570	30, 247	728, 800	36, 100	140, 474	−104, 374	3. 89
Michigan	6	7, 656	5, 534	6, 610	572	109, 585	2, 488, 400	151, 671	57, 580	94, 091	. 38
Minnesota	7	3, 842	2, 631	3, 220	381	181, 035	2, 562, 800	140, 829	135, 816	5, 013	. 96
Missouri	9	6, 453	3, 623	5, 020	485	176, 279	2, 266, 700	319, 657	113, 837	205, 820	. 36
Montana	11	2, 444	2, 212	5, 657	849	706, 598	9, 621, 200	1, 544, 546	578, 434	966, 112	. 37
Nebraska	12	5, 956	4, 632	6, 979	837	322, 313	4, 318, 600	572, 687	237, 579	335, 108	. 41
New Mexico	2	101	85	174	120	47, 538	384, 300	135, 283	299, 065	−163, 782	2. 21
New York	2	1, 126	828	1, 054	45	19, 718	518, 900	34, 240	7, 424	26, 816	. 22
North Dakota	20	9, 020	8, 352	13, 820	579	1, 280, 631	12, 307, 100	1, 244, 558	181, 838	1, 062, 720	. 15
Ohio	10	7, 115	5, 459	6, 969	401	140, 101	2, 845, 700	189, 170	42, 995	146, 175	. 23
Oklahoma	12	4, 077	3, 182	4, 993	440	507, 939	5, 636, 100	589, 172	164, 608	424, 564	. 28
Oregon	5	703	577	1, 150	89	268, 161	5, 194, 800	225, 401	230, 505	−5, 104	1. 02
Pennsylvania	5	3, 612	2, 610	2, 856	798	40, 020	1, 232, 200	66, 680	123, 535	−56, 855	1. 85
South Dakota	12	3, 594	3, 229	5, 131	529	458, 088	3, 525, 300	500, 536	172, 940	327, 596	. 35
Texas	13	2, 218	1, 295	1, 787	904	151, 849	1, 808, 200	341, 578	559, 575	−217, 997	1. 64
Utah	2	475	374	535	55	50, 755	859, 600	57, 933	23, 851	34, 082	. 41

Washington	7	907	778	1, 945	48	545, 089	9, 079, 200	373, 105	41, 564	331, 541	. 11
Wyoming	1	111	89	208	16	18, 771	228, 200	43, 495	11, 948	31, 547	. 27
Indemnities payable [3]									99, 678	−99, 678	
Loss from hedging operations									25, 937	−25, 937	
Total	200	84, 990	64, 701	96, 178	10, 030	6, 514, 839	84, 555, 300	8, 591, 057	5, 045, 937	3, 545, 120	. 59

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of wheat. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage. Partially estimated.

[3] Estimated, based on outstanding claims.

Flax Insurance

Insurance has been available on flax for the past 4 years. It was offered on a Nation-wide basis during the first 3 years of this period, but beginning in 1948 the flax program was reduced to 48 counties in accordance with the legislative amendment of August 1, 1947, which established the maximum of 50 counties for flax. In these counties 16,782 contracts were in force for 1948, with the premiums amounting to slightly over 1.5 million dollars. Indemnities paid to farmers for

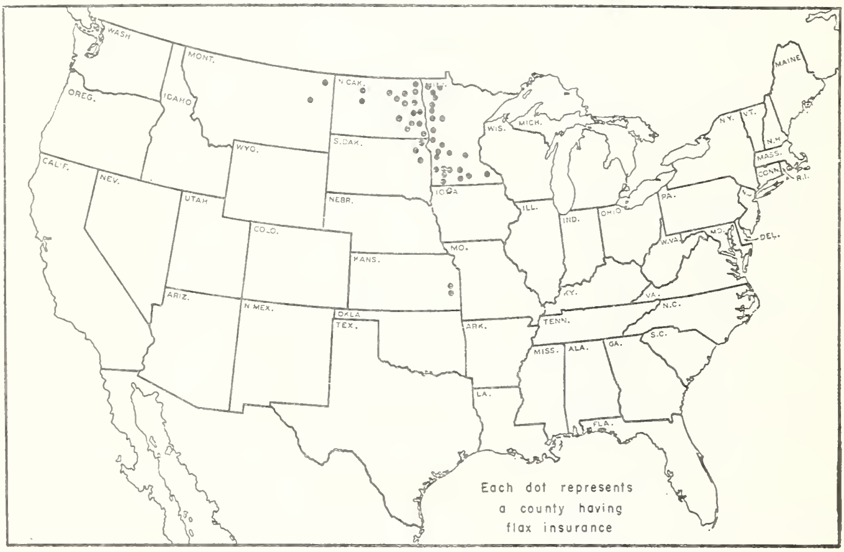

Figure 4.—Location of 1949 flax insurance counties.

crop losses amounted to slightly over 0.75 million dollars, or 51 percent of the premiums. 1948 was the third year in the 4-year period that the flax program operated with a premium surplus. Details of the 1948 insurance experience for the 48 counties are shown in table 3 by States.

As with wheat, the 1949 flax program is basically the same as in 1948. The location and distribution of the 48 counties in which the program is operating in 1949 are shown in figure 4. The 1949 premiums will amount to approximately 1 million dollars and although most of the losses are yet to be paid, it appears that losses will be relatively higher than in 1948, as the 1949 yield per acre is about one-half bushel less than the 10-year average, whereas the 1948 yield was substantially above average.

TABLE 3.—*Flax crop insurance experience, by States, 1948*

[As of June 30, 1949]

State	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned: Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Iowa	1	88	71	75	3	2, 039	60, 222	7, 010	2, 722	4, 288	0. 39
Kansas	2	335	219	283	106	5, 207	69, 192	9, 805	12, 225	−2, 420	1. 25
Minnesota	24	10, 860	9, 260	11, 208	1, 528	454, 883	9, 479, 806	1, 021, 722	662, 440	359, 282	. 65
Montana	2	193	79	98	11	8, 555	71, 324	12, 268	4, 911	7, 357	. 40
North Dakota	16	4, 147	3, 243	4, 061	239	214, 596	2, 899, 967	371, 213	96, 422	274, 791	. 26
South Dakota	3	1, 159	1, 104	1, 528	38	68, 370	991, 331	125, 199	14, 329	110, 870	. 11
Indemnities payable [3]									1, 950	−1, 950	
Total	48	16, 782	13, 976	17, 253	1, 925	753, 650	13, 571, 842	1, 547, 217	794, 999	752, 218	. 51

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of flax. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated, based on outstanding claims.

Cotton Insurance

The crop year 1948 is the last year for which cotton insurance experience is available. It was the sixth year of insurance on cotton and the first of reduced operations from a national basis to a maximum of 56 counties. It was also the first year in which the cotton program finished the year's operations with an excess of premiums over indemnities.

Cotton insurance got off to a bad start a few years ago and it has been necessary to make major changes in this program. The sounder nature of the present cotton insurance is evidenced by the more favorable operations during the past 2 years. For 1947 the premiums and indemnities approximately balanced; for 1948 the indemnities paid to insured farmers for crop losses amounted to only 43 percent of the premiums. The 1948 premiums amounted to approximately $1,400,000 and the indemnities to about $600,000, leaving a surplus of about $800,000. Details of the 1948 experience are shown in table 4 by States for the 53 counties in which the program operated.

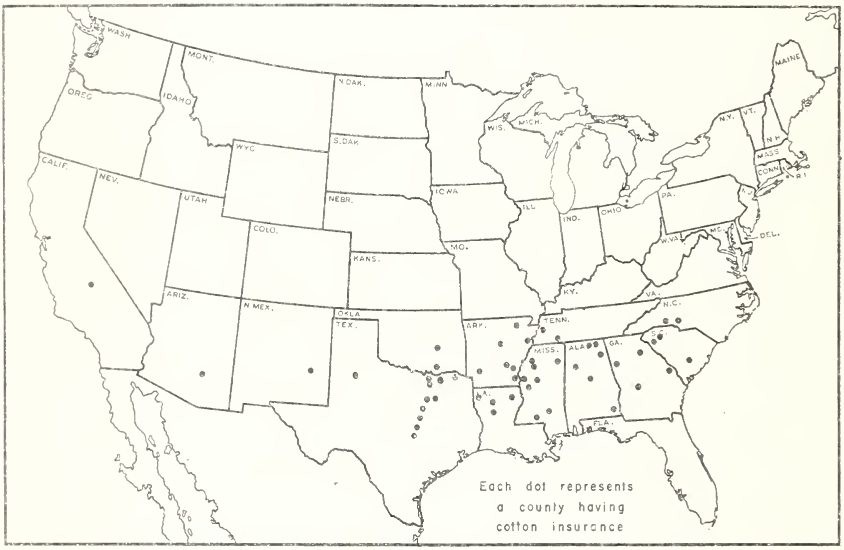

FIGURE 5.—Location of 1949 cotton insurance counties.

As in the other major commodity programs, the 1949 cotton insurance program is practically the same as in 1948. Of encouraging significance for 1949 is the fact that the relative degree of farmer participation is higher than in any previous year. The premiums for that year will amount to approximately 1.5 million dollars, but it is not possible at this time to forecast the amount of losses that will be paid. The location and distribution of the 52 counties in which the 1949 program is operating are shown in figure 5.

Toward the end of the 1949 fiscal year plans were developed for insurance on the 1950 cotton crop. These plans incorporated a moderate degree of protection against loss of quality, in addition to loss of yield, where such loss of quality is due to natural causes beyond the

TABLE 4.—*Cotton crop insurance experience, by States, 1948*

[As of June 30, 1949]

State	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Alabama	6	2, 585	2, 340	2, 792	234	40, 773	1, 289, 699	61, 763	27, 426	34, 337	0. 44
Arizona	1	79	74	111	0	35, 404	1, 744, 173	81, 027	0	81, 027	. 00
Arkansas	7	2, 584	2, 402	2, 994	277	74, 754	2, 106, 706	146, 579	69, 839	76, 740	. 48
California	1	147	129	148	17	13, 498	1, 006, 054	40, 358	24, 442	15, 916	. 61
Georgia	4	1, 443	1, 394	1, 542	166	31, 445	1, 037, 082	57, 025	34, 915	22, 110	. 61
Louisiana	4	1, 089	987	1, 193	135	35, 515	1, 462, 460	129, 983	15, 649	114, 334	. 12
Mississippi	8	3, 052	2, 877	3, 337	87	82, 984	3, 623, 659	242, 422	18, 950	223, 472	. 08
Missouri	1	204	190	214	1	8, 329	76, 296	5, 999	73	5, 926	. 01
New Mexico	1	203	200	270	14	17, 425	1, 250, 931	70, 908	17, 250	53, 658	. 24
North Carolina	2	1, 025	1, 005	1, 090	24	18, 035	691, 782	26, 998	3, 711	23, 287	. 14
Oklahoma	4	779	370	454	230	8, 999	187, 909	21, 713	53, 943	−32, 230	2. 48
South Carolina	3	2, 391	2, 329	2, 746	374	46, 194	1, 941, 987	108, 848	68, 155	40, 693	. 63
Tennessee	2	569	519	679	88	8, 881	285, 517	22, 488	25, 129	−2, 641	1. 12
Texas	9	3, 329	3, 224	4, 468	946	259, 506	5, 414, 794	395, 496	236, 264	159, 232	. 60
Indemnities payable [3]									14, 254	−14, 254	
Total	53	19, 479	18, 040	22, 038	2, 593	681, 742	22, 119, 049	1, 411, 607	610, 000	801, 607	. 43

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of cotton. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated, based on outstanding claims.

control of farmers. They also include expansion into approximately 28 additional counties in accordance with the new legislation already discussed here.

Tobacco Insurance

The 1948 crop year was the fourth year of experimental insurance on tobacco. Started in 1945 in 13 counties, it was gradually expanded to 32 counties for 1948. This program since its beginning has been well accepted by tobacco farmers and has operated 3 out of the 4 years with a premium surplus. For the other year, 1947, losses and premiums were approximately equal.

There were 31,605 contracts in force in the 32 counties in 1948. The premiums on this insurance amounted to about $657,000 and indemni-

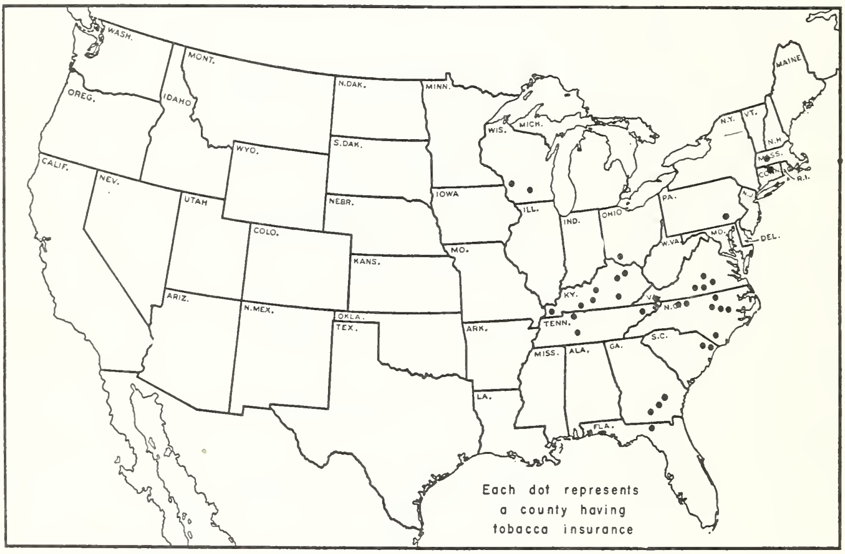

Figure 6.—Location of 1949 tobacco insurance counties.

ties paid to farmers for crop losses totaled $314,000, or 48 percent of the premiums. Only in Vernon County, Wis., were losses extremely heavy. In this county losses paid farmers amounted to approximately $3.50 for each $1 of premium income, such losses being due principally to severe hail damage which completely destroyed the tobacco crop on about 200 farms and damaged it on about 600 farms. The 1948 underwriting experience is shown for the 32 counties in table 5, by States.

For 1949 the tobacco program was extended to 3 additional counties, making a total of 35, the maximum permitted by law. The location and distribution of these counties are shown in figure 6. The program continued to be well received, with 35,023 farmers availing themselves of insurance in the 35 counties. The premium on this business will approximate $800,000. The loss experience cannot be forecast yet, but it is already apparent that losses will be rather heavy in 3 areas because of drought, hail, and flood.

TABLE 5.—*Tobacco crop insurance experience, by States, 1948*

[As of June 30, 1949]

State	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned								
			Contracts [1]	Farms [1]	Indemnities	Insured acreage [2]	Maximum liability [3]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Connecticut	1	573	565	627	38	5, 200	1, 753, 100	87, 774	26, 680	61, 094	0. 30
Florida	1	860	765	893	53	2, 500	322, 800	10, 601	7, 244	3, 357	. 68
Georgia	2	1, 506	1, 437	1, 754	111	4, 800	724, 000	24, 258	18, 967	5, 291	. 78
Kentucky	5	2, 774	2, 639	3, 114	242	8, 800	1, 191, 500	41, 346	18, 671	22, 675	. 45
Massachusetts	1	259	258	272	5	1, 800	588, 900	29, 362	2, 571	26, 791	. 09
North Carolina	7	7, 383	7, 332	10, 048	105	47, 500	6, 307, 100	173, 555	20, 284	153, 271	. 12
Ohio	1	335	322	409	20	800	122, 800	5, 608	2, 453	3, 155	. 44
Pennsylvania	1	1, 388	1, 369	1, 729	34	8, 600	1, 353, 800	39, 683	9, 210	30, 473	. 23
South Carolina	2	3, 143	3, 138	4, 261	17	15, 600	2, 249, 500	61, 878	1, 328	60, 550	. 02
Tennessee	4	3, 470	3, 291	4, 154	320	8, 500	1, 115, 000	34, 708	22, 112	12, 596	. 64
Virginia	5	6, 485	6, 306	8, 837	53	24, 200	3, 045, 400	91, 185	4, 050	87, 135	. 04
Wisconsin	2	3, 429	3, 373	3, 705	863	15, 400	2, 336, 700	56, 735	141, 385	−84, 650	2. 49
Indemnities payable [4]									38, 645	−38, 645	
Total	32	31, 605	30, 795	39, 803	1, 861	143, 700	21, 110, 600	656, 693	313, 600	343, 093	. 48

[1] The number of contracts on which a premium was earned is less than the number of contracts in force because farmers in some years do not plant any acreage of tobacco. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Estimated.

[3] Based on the coverage for harvested acreage. Estimated.

[4] Estimated, based on outstanding claims.

Corn Insurance

As with tobacco, the 1948 crop year was the fourth year of experimental insurance on corn. It was started in 1945 in 15 counties and was gradually expanded to 36 counties for 1948. Although the corn insurance has not operated entirely satisfactorily in every respect, the underwriting experience for each of the 4 years has closely paralleled the crop conditions in the counties where insurance was tried.

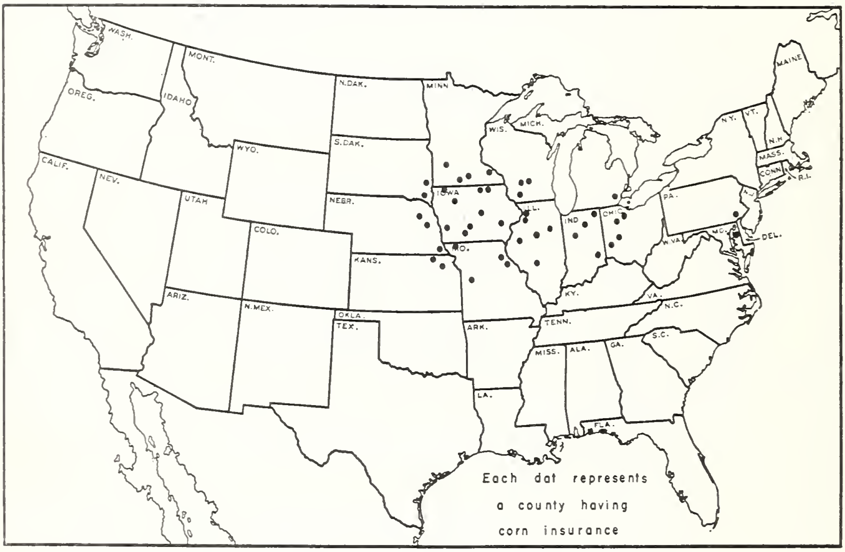

FIGURE 7.—Location of 1949 corn insurance counties.

For 1947, when the corn crop was the smallest since the drought year 1936, losses paid farmers exceeded premiums by a little more than 2 to 1. However, for the crop year 1948, when an all-time-high corn-production record was established, the underwriting experience was also good, with losses paid farmers amounting to only 17 percent of the premiums. The details of the 1948 underwriting experience are shown for the 36 counties in table 6, by States.

For 1949, the corn program was expanded from 36 to 44 counties (fig. 7), 6 short of the maximum permitted by legislation. There are 19,607 farmers insured in these 44 counties, and the premium will amount to about $569,000. At this time it is impossible to forecast the amount of indemnities which will be paid to farmers for crop losses, but with another favorable harvest in prospect it is anticipated that the premiums will again substantially exceed the losses.

TABLE 6.—*Corn crop insurance experience, by States, 1948*

[As of June 30, 1949]

State	Counties with insurance program	Contracts in force [1]	Crop planted and premium earned: Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Illinois	5	1, 480	1, 478	1, 761	22	92, 140	1, 510, 612	47, 720	14, 126	33, 594	0. 30
Indiana	3	668	662	791	6	21, 051	410, 673	12, 627	1, 040	11, 587	. 08
Iowa	7	3, 908	3, 906	4, 634	38	259, 960	3, 909, 784	115, 012	24, 372	90, 640	. 21
Kansas	2	521	518	624	1	23, 052	149, 001	11, 868	25	11, 843	. 00
Maryland	1	230	230	260	7	11, 510	148, 151	3, 609	1, 257	2, 352	. 35
Michigan	2	798	797	871	91	15, 225	281, 542	20, 184	11, 344	8, 840	. 56
Minnesota	3	1, 814	1, 814	2, 144	4	106, 800	1, 467, 562	44, 991	810	44, 181	. 02
Missouri	3	867	861	1, 039	7	35, 988	426, 520	32, 115	939	31, 176	. 03
Nebraska	2	720	720	914	1	50, 199	736, 151	53, 994	1	53, 993	. 00
Ohio	3	709	708	781	4	22, 516	497, 057	15, 868	588	15, 280	. 04
Pennsylvania	1	475	474	490	7	9, 642	285, 903	5, 899	777	5, 122	. 13
South Dakota	2	917	917	1, 142	0	71, 408	758, 779	45, 384	0	45, 384	. 00
Wisconsin	2	1, 008	1, 005	1, 067	119	32, 987	584, 379	26, 207	18, 659	7, 548	. 71
Indemnities payable [3]									2, 062	−2, 062	
Total	36	14, 115	14, 090	16, 518	307	752, 478	11, 166, 114	435, 478	76, 000	359, 478	. 17

[1] The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of corn. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

[3] Estimated, based on outstanding claims.

Dry Edible Bean Insurance

Beginning with the 1948 crop year, insurance was offered experimentally on dry edible beans in 4 counties in as many States. Insurance had not been offered on a new commodity since 1945 and the initiation of the bean program in such a limited number of counties reflects the Corporation's strong belief that new insurance should be started on a small scale and expanded only after experience indicates that such insurance is reasonably sound and expansion is practical.

The bean insurance was rather well received with 1,444 farmers being insured covering 29 percent of the eligible farms in the four

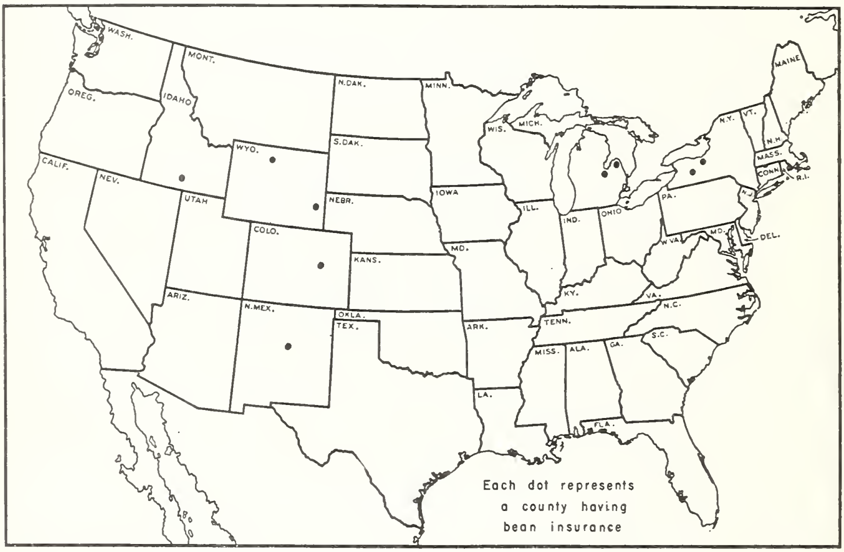

Figure 8.—Location of 1949 bean insurance counties.

counties. The premiums amounted to over $32,000 and the indemnities paid farmers for crop losses amounted to over $9,000 or 29 percent of the premiums. The details of this experience are shown in table 7.

Because of the all around satisfactory operation of the bean program the first year, it has been expanded to a total of nine counties for 1949, the location and distribution of which are shown in Figure 8. Three additional areas are represented by the new counties leaving only one major bean producing area not represented to date. The demand for bean insurance has been rather strong from farmers and other interested groups in counties where this protection is not now provided. This keen interest in crop insurance is undoubtedly due to the relative importance of beans as a source of income in the areas where they are produced and the farmer's recognition of his need for insurance protection thereon.

Multiple-Crop Insurance

The comprehensive nature of multiple-crop insurance and its possibilities for expanded use in future years were discussed earlier in this report. This insurance was started in 1948 in two counties with oats, wheat, corn, and flax insured under the same contract in one county and oats, wheat, corn, and dry edible beans in the other.

The monetary amount of coverage for a farmer is the total of the separate coverages for all insured commodities on his farm. A loss is paid only when the value of the production from all the insured commodities is less than the total coverage. Inasmuch as a loss on one

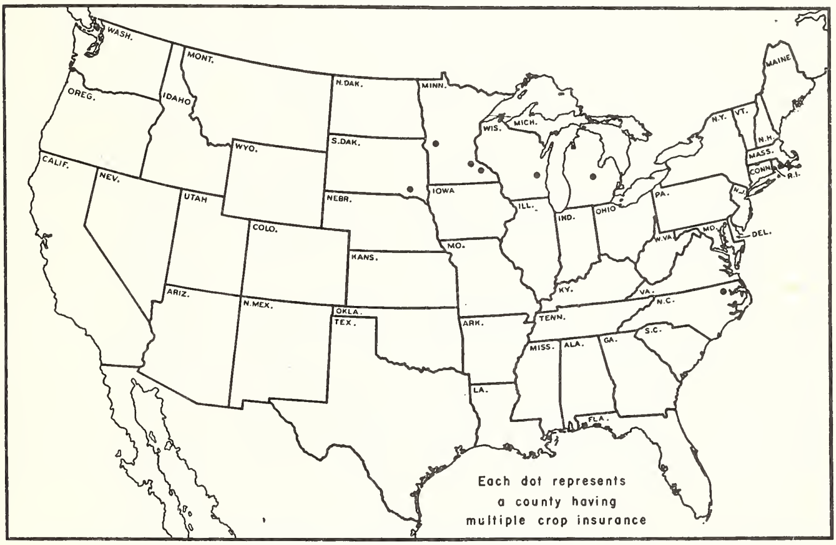

FIGURE 9.—Location of 1949 multiple-crop insurance counties.

or more crops may be offset by production from the other insured commodities, the premium rate represents a relatively small percentage of the coverage when compared to the premium cost for insurance protection on a single commodity.

Under a program of this kind it is expected that losses will be very light in years of good crop conditions, which is exactly the kind of experience obtained in the two counties in 1948. The premiums totaled nearly $24,000, with indemnities paid to farmers amounting to about $1,200, or 5 percent of the premiums. The details of this experience are shown in table 7.

Based on the limited experience with the multiple-crop insurance in the two counties, it appears that this type of program is feasible and has excellent possibilities for extended use over much of the country. Therefore, with the view of developing it further, the Corporation expanded the program to a total of 7 representative counties (fig. 9) for 1949 and included barley, peanuts, and soybeans as new insurable commodities. Plans for 1950 include the further expansion of the multiple-crop program to additional counties in line with the recent legislation already discussed here.

TABLE 7.—*Dry edible bean and multiple-crop insurance experience, by counties, 1948*

[As of June 30, 1949]

DRY EDIBLE BEAN PROGRAM

State and county	Contracts in force [1]	Crop planted and premium earned								
		Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
	Number	*Number*	*Number*	*Number*	*Acres*	*Dollars*	*Dollars*	*Dollars*	*Dollars*	
Colorado, Elbert	114	109	125	48	6, 918	44, 354	5, 691	6, 623	−932	1. 16
Idaho, Jerome	213	209	229	1	6, 203	218, 944	7, 735	115	7, 620	. 01
Michigan, Huron	766	760	870	24	19, 256	342, 078	13, 004	2, 451	10, 553	. 19
New York, Wayne	351	347	357	3	5, 128	148, 689	6, 018	150	5, 868	. 02
Total	1, 444	1, 425	1, 581	76	37, 505	754, 065	32, 448	9, 339	23, 109	. 29

MULTIPLE-CROP PROGRAM

State and county	Contracts in force [1]	Contracts [1]	Farms [1]	Indemnities	Insured acreage	Maximum liability [2]	Premiums	Indemnities	Surplus or deficit	Loss ratio
Michigan, Gratiot	255	240	336	7	15, 812	222, 389	7, 116	821	6, 295	0. 12
Minnesota, Goodhue	459	459	488	3	29, 804	364, 590	16, 655	364	16, 291	. 02
Total	714	699	824	10	45, 616	586, 979	23, 771	1, 185	22, 586	. 05

[1] The number of contracts on which a premium was earned is usually less than the number of contracts in force because farmers in some years do not plant any acreage of the insurable commodities. The number of farms is larger than the number of contracts because a farmer's contract includes all his insurable farms in the county. The figure representing number of farms includes duplication where both landlord and tenant are insured.

[2] Based on the coverage for harvested acreage.

FINANCIAL STATEMENTS

The financial statements consist of a comparative balance sheet (exhibit A, p. 35), showing financial condition at June 30, 1949, and June 30, 1948, a statement of insurance operations for the 1948 crop year (exhibit B, p. 36), and a comparative statement of administrative and operating expenses (exhibit C, p. 37), for the 1949 and 1948 fiscal years. The balance sheet reflects the condition of only the capital and insurance funds. The office equipment owned by the Corporation does not appear as an asset, as it is procured with funds appropriated annually for administrative expenses.

Transactions relating to the 1949 crop year, as of June 30, 1949, consisted of a few early losses, premium payments in advance of maturity dates of premium notes, and early wheat insurance premiums maturing during June 1949. As these activities constitute a minor part of the 1949 crop year's operations, such items are treated in the balance sheet as Deferred credits and Deferred income, as of the close of the fiscal year.

Premium notes are executed with the signing of applications for insurance. The insurance premiums, however, are not determined until after reports of the acreage planted on each insured farm have been obtained. The premium notes mature about the time crops are harvested but may be paid earlier. If not paid earlier, premiums are billed and recorded immediately following the maturity dates of the notes. Under the experimental insurance operations of the Corporation beginning with crops planted for harvest in 1948 and continuing through the 1949 crop year, it is estimated that premiums on 1949 insured crops will approximate 12 million dollars. Substantially all indemnity losses on the 1949 crop will be determined and paid subsequent to June 30, 1949.

Comments on Balance Sheet

(Exhibit A, p. 35)

Cash

Cash amounting to $33,122,721.98 was on deposit with the Treasurer of the United States and the Federal Reserve Bank of Chicago as of June 30, 1949. Treasury Department facilities are used in making deposits and disbursements. Receipts and disbursements handled by the Chicago branch office of the Corporation are processed through the accounts of the Chicago regional disbursing officer of the Treasury Department, the Federal Reserve Bank of Chicago being the depositary. Deposits are recorded in a cash clearing account in the branch office until acknowledged by the regional disbursing office. Receipts and disbursements handled by the Corporation's Washington office are processed through the accounts of the chief disbursing officer of the Treasury Department, Washington, D. C.

Accounts Receivable

Insured producers' unpaid accounts amounting to $5,312,361.65, as of June 30, 1949, consist primarily of amounts due from insured

producers on crop insurance premium notes. This includes also unpaid interest on paid premium notes for the 1945–1948 crop years, overpayments of indemnities to insured producers, and credit items representing overpayments by insured producers which are to be refunded. Unpaid accounts and premium collection activities for the 1949 fiscal year are summarized as follows:

Balance June 30, 1948, for 1947 and prior crop years	$6, 452, 524. 25	
Collections, adjustments, etc	2, 944, 630. 38	
		$3, 507, 893. 87
1948 crop year premiums	12, 698, 271. 22	
Collections	11, 864, 433. 29	
		833, 837. 93
1949 crop year premiums matured	1, 800, 346. 28	
Collections	829, 716. 43	
		970, 629. 85
Balance June 30, 1949		5, 312, 361. 65

The decrease in the balance of accounts receivable during the year is for the most part attributed to the aggressive collection policy followed by the Corporation. Positive action was taken throughout the year to collect outstanding premiums, including the institution of legal proceedings wherever necessary.

The reserve for uncollectible accounts of $1,971,892.46 represents the balance as of June 30, 1949, of a reserve established as applicable to unpaid balances of premiums on insurance contracts for crop years 1942 through 1948. The increase of $1,231,703.65 in the reserve during the year represents additions to the reserve for the 1945–1948 crop year premiums, less charges representing accounts determined to be uncollectible and written off during fiscal year 1949.

Accounts Payable

Estimated indemnities payable, amounting to $188,034.06, represent the Corporation's estimated liability as of June 30, 1949, to insured producers for loss claims that have not been presented to the Corporation for payment. These losses occurred on insured crops during crop years 1946 through 1949. The estimated liability by applicable crop years is as follows:

Crop year 1946	$10, 927. 64
Crop year 1947	9, 213. 42
Crop year 1948	156, 589. 00
Crop year 1949	11, 304. 00
Total	188, 034. 06

The following summary shows the distribution of the liability for unpaid losses by commodities:

Wheat contracts	$111, 169. 00
Cotton contracts	33, 170. 42
Flax contracts	1, 950. 00
Corn contracts	2, 062. 00
Tobacco contracts	39, 682. 64
Total	188, 034. 06

The decrease of $111,241.39 in estimated indemnities payable during the year represents the net reduction in the Corporation's liability during fiscal year 1949.

Returned checks unclaimed and canceled, amounting to $5,484.62, cover amounts due insured producers for which checks issued in payment could not, for various reasons, be delivered to the payees. Such checks were returned to the Corporation and canceled. When proper payment can be made, new checks will be issued for the amounts due.

The balance due administrative funds, amounting to $153,393.21, represents storage accrued on certificates of indemnity and deducted from indemnity payments. Certificates of indemnity issued to insured producers sustaining losses are in the commodity quantities of the losses. Storage accrues on the commodity quantity of such certificates if not returned promptly for cash settlement.

Deferred Credits

The balance of unapplied premium receipts amounting to $5,544.04, as of June 30, 1949, consists of insurance premium receipts which could not be immediately identified. They are included in this account until proper application can be made.

The balance of advance premium payments amounting to $1,355,445.64, as of June 30, 1949, represents premiums collected before maturity of premium notes for the 1949 crop year. The increase of $1,158,962.39 represents the net increase in premiums collected prior to maturity for the crop year 1949, compared with the crop year 1948.

Deferred Income

Deferred income consists of early 1949 wheat premiums matured during June 1949, less approved indemnity claims for the 1949 crop year as follows:

Premiums matured	$1, 800, 346. 28
Less: Approved indemnity claims	287, 890. 11
Net amount	1, 512, 456. 17

Reserves

The reserve for surety losses constitutes a continuing provision for past and future unrecoverable money or property loss due to fire, theft, and other unavoidable causes. This provision of self insurance is believed to cost less than premiums covering employee surety bonds. For this purpose a $25,000 fund was established out of the 1949 fiscal year appropriation for administrative expenses. Losses amounting to $179.48 were charged to the reserve during the 1949 fiscal year and that amount was reimbursed from the administrative appropriation during that fiscal year.

The reserve for contingencies, amounting to $300,000, was established during the fiscal year 1949 as a reserve against which unpaid losses and adjustments for the 1947 and prior crop years are to be charged. No losses or adjustments were charged to this reserve prior to June 30, 1949.

Capital

Capital stock authorized and outstanding as of June 30, 1949, amounting to $100,000,000, represents the entire capital stock authorized by the Federal Crop Insurance Act. All of the capital stock had been subscribed by the Secretary of the Treasury and was requisitioned by the Corporation prior to July 1, 1948. There was no change in the capital stock of the Corporation during fiscal year 1949.

Insurance reserves amounting to $5,783,711.35 represent the excess of premiums over losses for crop year 1948, as reflected in the statement of insurance operations (exhibit B, p. 36).

Deficit for 1947 and prior crop years of $72,865,709.36 represents the total deficit from insurance operations applicable to crop years 1939–1947, inclusive. The increase in deficit for these years at June 30, 1949, compared with June 30, 1948, amounted to $2,680,692.78. This consists primarily of an increase in the provision for uncollectible accounts, the payment of additional loss claims to insured producers, and provision for contingent losses.

Comments on Statement of Insurance Operations

(Exhibit B, p. 36)

Exhibit B summarizes the insurance operations of the Corporation by commodities for the 1948 crop year. Premiums amounting to $12,698,271.22, less indemnities of $6,851,059.87, including $25,937.50 loss from hedging operations in wheat, resulted in a surplus of $5,847,-211.35 for all insured commodities, or a loss ratio of 0.54. After provision for uncollectible accounts of $63,500.00, the insurance reserves for the crop year 1948 amounted to $5,783,711.35. This was the first crop year in the history of the Corporation that a surplus was shown for each insured commodity.

Comments on Administrative and Operating Expenses

(Exhibit C, p. 37)

Exhibit C gives a comparison of administrative and operating expenses for the 1949 and 1948 fiscal years. Expenses for fiscal year 1949 include costs incident to the liquidation of 1947 and prior crop-year programs. The decrease in total expenses, amounting to $295,042.71 for the fiscal year 1949, as compared with that for fiscal year 1948, reflects further reduction in cost of administration as a result of the restriction of insurance programs to an experimental basis beginning with crop year 1948.

Exhibit A

Comparative balance sheet as of June 30, 1949, and June 30, 1948

	June 30, 1949	June 30, 1948	Increase —decrease
ASSETS			
Cash	$33, 122, 721. 98	$24, 749, 690. 84	$8, 373, 031. 14
Accounts receivable:			
Insured producers	5, 312, 361. 65	6, 452, 524. 25	−1, 140, 162. 60
Less: Reserve for uncollectible accounts	1, 971, 892. 46	740, 188. 81	1, 231, 703. 65
Net amount	3, 340, 469. 19	5, 712, 335. 44	−2, 371, 866. 25
Other	168. 56	1, 505. 46	−1, 336. 90
Total accounts receivable	3, 340, 637. 75	5, 713, 840. 90	−2, 373, 203. 15
Total assets	36, 463, 359. 73	30, 463, 531. 74	5, 999, 827. 99
LIABILITIES AND CAPITAL			
Accounts payable:			
Indemnities payable—estimated	$188, 034. 06	$299, 275. 45	−$111, 241. 39
Returned checks unclaimed-canceled	5, 484. 62	7, 254. 72	−1, 770. 10
Due administrative funds	153, 393. 21	134, 212. 93	19, 180. 28
Total accounts payable	346, 911. 89	440, 743. 10	−93, 831. 21
Deferred credits:			
Unapplied premium receipts	5, 544. 04	11, 321. 97	−5, 777. 93
Advance premium payments	1, 355, 445. 64	196, 483. 25	1, 158, 962. 39
Total deferred credits	1, 360, 989. 68	207, 805. 22	1, 153, 184. 46
Deferred income:			
1949 crop year premiums (less approved indemnity claims)	1, 512, 456. 17		1, 512, 456. 17
Reserves:			
For surety losses	25, 000. 00		25, 000. 00
For contingencies	300, 000. 00		300, 000. 00
Total reserves	325, 000. 00		325, 000. 00
Total liabilities	3, 545, 357. 74	648, 548. 32	2, 896, 809. 42
Capital:			
Capital stock authorized and outstanding	100, 000, 000. 00	100, 000, 000. 00	

Exhibit A—Continued

Comparative balance sheet as of June 30, 1949, and June 30, 1948—**Continued**

LIABILITIES AND CAPITAL—Continued

	June 30, 1949	June 30, 1948	Increase −decrease
LIABILITIES AND CAPITAL—Continued			
Insurance reserves:			
Wheat	$3, 545, 120. 16		$3, 545, 120. 16
Cotton	801, 607. 13		801, 607. 13
Flax	752, 217. 52		752, 217. 52
Corn	359, 478. 19		359, 478. 19
Tobacco	343, 093. 13		343, 093. 13
Beans	23, 109. 13		23, 109. 13
Multiple crops	22, 586. 09		22, 586. 09
Undistributed	−63, 500. 00		−63, 500. 00
Total insurance reserves, (exhibit B)	5, 783, 711. 35		5, 783, 711. 35
Deficit for 1947 and prior crop years	72, 865, 709. 36	$70, 185, 016. 58	2, 680, 692. 78
Net capital	32, 918, 001. 99	29, 814, 983. 42	3, 103, 018. 57
Total liabilities and capital	36, 463, 359. 73	30, 463, 531. 74	5, 999, 827. 99

Exhibit B

Statement of insurance operations for crop year 1948

Commodity	Premiums	Indemnities	Surplus	Loss ratio
Wheat	$8, 591, 057. 36	[1] $5, 045, 937. 20	$3, 545, 120. 16	0. 59
Cotton	1, 411, 607. 56	610, 000. 43	801, 607. 13	. 43
Flax	1, 547, 216. 95	794, 999. 43	752, 217. 52	. 51
Corn	435, 477. 85	75, 999. 66	359, 478. 19	. 17
Tobacco	656, 693. 34	313, 600. 21	343, 093. 13	. 48
Beans	32, 447. 58	9, 338. 45	23, 109. 13	. 29
Multiple crops	23, 770. 58	1, 184. 49	22, 586. 09	. 05
Total	12, 698, 271. 22	6, 851, 059. 87	5, 847, 211. 35	. 54
Provision for uncollectible accounts			−63, 500. 00	
Total insurance reserves (exhibit A)			5, 783, 711. 35	

[1] Includes loss from hedging operations, amounting to $25,937.50.

Exhibit C

Comparative statement of administrative and operating expenses for the 1949 and 1948 fiscal years, as of June 30, 1949

Item	Fiscal year 1949	Fiscal year 1948	Increase —decrease
Operating expenses:			
Personal services	$2,210,219.46	$2,489,055.35	—$278,835.89
Travel	453,991.21	327,801.51	126,189.70
Transportation of things	12,507.05	12,704.18	—197.13
Communication services	26,776.90	[1] 54,627.60	—27,850.70
Rents and utility services	153,191.60	137,716.65	15,474.95
Printing and binding	42,223.85	35,648.12	6,575.73
Other contractual services	42,725.32	38,396.96	4,328.36
Insurance contract sales expenses	430,507.33	503,046.60	—72,539.27
Commodity purchase expense	4,375.00	12,000.00	—7,625.00
Coverage and rate analysis expense	5,400.00	111,939.70	—106,539.70
Premium collection expense	142,991.58	245,737.40	—102,745.82
PMA, State and headquarters office expense	413,174.06	101,228.85	311,945.21
Audit expense	15,000.00	14,962.97	37.03
Supplies and materials	40,671.09	36,809.74	3,861.35
Total	3,993,754.45	4,121,675.63	—127,921.18
Commodity storage expense:			
Wheat	—59,408.67	154,358.00	—213,766.67
Flax	—53.39	584.46	—637.85
Total expenses (excluding equipment purchases)	3,934,292.39	4,276,618.09	—342,325.70
Equipment purchased	58,572.27	11,289.28	47,282.99
Total expenses	3,992,864.66	4,287,907.37	—295,042.71

[1] Includes penalty mail expense in the amount of $30,650.38.

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